

Estate planning and your business

Liberty Group Advisory Services

If you have your own business it is important to protect your personal estate from possible claims made by the business.

Business continuity: buy and sell agreements

The most important aspect of estate planning is to make sure that you have an agreement for business continuity.

Ideally, the business should have a buy and sell arrangement which will provide the surviving business owners with cash to buy your shares from your estate. Ideally, this agreement should state that, in the event of your death, the surviving business owners will buy your shares at the greater of life cover or market value. Without this agreement your business partner could argue that although the business was paid out R10 million in life cover, the shares are only worth R2 million and that is all that will be paid to your estate.

Settling outstanding debts

If you have stood as personal surety for any business debts, the bank can take the outstanding loan from your estate. Make sure that the business has enough insurance cover to settle any outstanding debts on your death so that the suretyship is not called up and your estate is protected.

Protection through retirement funds

Life cover and retirement funds are a good way to protect your family if you have your own business. Creditors may not touch retirement funds and they are a lot cheaper than setting up a trust.

The credit loan account

Finally, make sure you have covered your credit loan accounts. If you started your business with your own money, your executor has to collect that money from the business for the estate. Make sure that the business can pay back your credit loan.